European Gas Limited

NEWS RELEASE

24 June 2009

COMPLETION OF PRE-FEASIBILITY STUDY ELECTRICITY DEVELOPMENT PROJECT GAZONOR PROJECT, FRANCE

HIGHLIGHTS

- **Pre-feasibility study completed demonstrating strong economics.**
- **Base case of up to a 20MW installation, plus continued gas to grid sales.**
- **Project NPV €67.9 million to €106.9 million (A$120 million to A$189 million).**
- **Base case accesses 38% of current 2P reserves or 14% of 3P, hence expansion possibilities.**
- **Environmental attributes represented by approximately 10 million tonnes of carbon dioxide equivalent mitigated over 10 years.**
- **Third party discussions in progress for project development.**

GENERAL

European Gas Limited ("European Gas" or "Company") is pleased to announce the results of its Electricity Development Project Pre-Feasibility Study ("the Study") for the installation of electricity production facilities at four sites within the company's 100% owned Gazonor Project, Nord Pas de Calais, northern France.

The Study has determined that gas production at Gazonor can be substantially increased through the installation of electricity production facilities at two sites at Avion and one each at Divion and Désirée, each located within the Company's production permit areas (See Figure 1.).

The Study has determined strong economics with the base case development of up to 20 megawatts (MW). The potential development also includes the continuation of gas sales into the national pipeline network.

The development provides for substantial environmental benefits with the mitigation of approximately 10 million tonnes of carbon dioxide equivalent over the first 10 years of production.

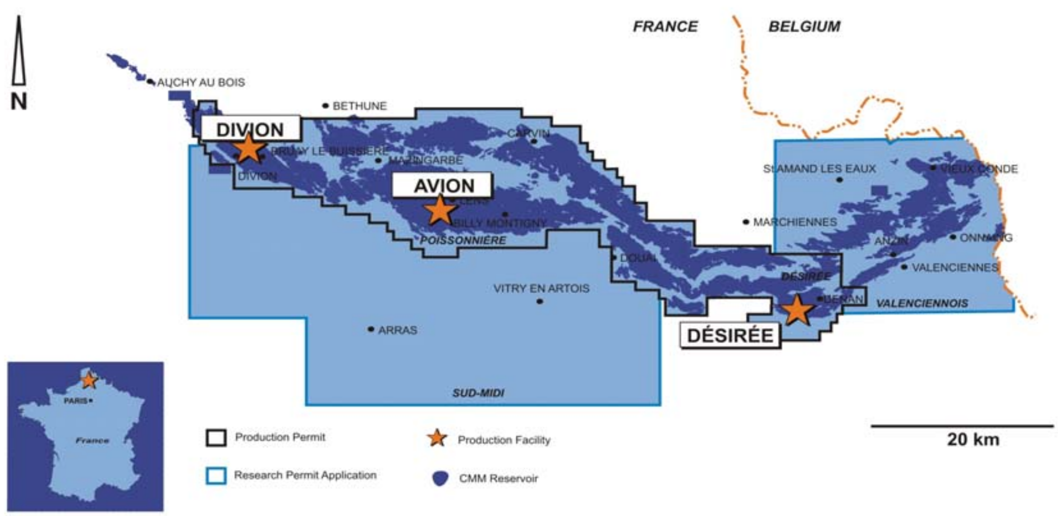

Figure 1. Gazonor Project location map.

ELECTRICITY DEVELOPMENT PROJECT

The Study was conducted internally and through specific consultants with the view of the conversion of each of the Company's production sites at Gazonor to electricity generation. The Study takes into consideration pipeline restrictions in the injection of any substantial increases of CMM. The development sites include the two production sites at Avion and one each at Divion and Désirée.

Avion

The Study has examined a range of projects from 4.8MW to 24MW installations for Avion. The preferred case in the Study involves the installation of two 4.8MW facilities, one at the Lens 5 site with the other at the 7bis de Liévin site. The case also involves maintaining gas production and sales from the Lens 5 site for at least the short term. The incremental expansion of electricity facilities up to 24MW will be considered after the initial project developments.

Divion

The Study has examined the re-opening of the gas production facilities with sales of gas to local customers and has also considered the installation of 4.8MW of electricity generation capacity. The possibility of running both projects is also considered.

Désirée

The Study has examined the opening up of a northern production area feeding into the Désirée site via the Company's local pipeline. This allows for the installation of 4.8MW of electricity generation capacity.

The Study has also examined several processes for the upgrading of the quality of gas, potentially providing a premium product to pipeline specification. Further investigations are required into these processes.

Project Economics

Base Case Initial Electricity Development Gas to Grid plus 4 X 4.8MW installations	
Gas Production	140 Mm^3 per year
methane content	78 Mm^3 per year (2.75 Bcf)
Gas Sales	26 Mm^3 per year (0.90 Bcf)
Electricity Sales	84 GWh per year
Capital Costs	€16.5 million
Net Present Value*	€67.9 million to €106.9 million
Internal Rate of Return*	49% to 70%

* *Variance gas pricing €21 to €28 per MWh (€5.80 to €7.80 per mcf);*
Variance electricity pricing €75 to €100 per MWh.

The Base Case assessment is at a pre-feasibility level and excludes any assumptions on lease options of capital equipment and assumes full price new equipment installation.

Development

The Company has commenced the further definition and optimisation works for the project including permitting process planning. Importantly the project is likely to be conditional on the Company being successful in achieving an electricity feed-in tariff that is enjoyed by other greenhouse gas mitigation projects in France. Typically an electricity feed-in tariff is a higher than baseload pricing structure that is afforded to gas projects which provide substantial environmental benefits.

Subject to the completion of the above, from a decision to proceed and inception of the projects, initial electricity production could be in place within 12 months.

The Company is in discussion with several industry and finance groups for the development of the projects.

Potential Expansion

The Base Case assessment comprising of a four site development is expandable. The Study includes the drawdown over a 20 year period of approximately 38% of the current 2P reserve or 14% of the 3P reserve. The Company continues to examine further potential development sites at Gazonor which may allow the development of new sites and/or incremental production increases at the initial development sites. The purpose of the continued project investigation program is to optimise the drawdown of the current reserve base, which is a follows:

Gazonor Certified Reserves as at July 2008

		Billions of Cubic Metres * Bm^3	Billions of Cubic Feet * Bcf	Petajoules PJ
Gazonor	1P	1.3	46	49
Gazonor	2P	3.7	131	140
Gazonor	3P	10.1	357	380

** contained methane*

The estimates were carried out by independent Deutsche Montan Technologie GmbH of Essen, Germany (“DMT”) on behalf of European Gas.

ABOUT EUROPEAN GAS LIMITED

European Gas Limited is a hydrocarbon producer/developer/explorer with projects in western Europe. The strategy of the Company is to develop Coal Bed Methane and Coal Mine Methane projects, in particular, in France where the Company, having major holdings under licence, holds a significant competitive advantage.

The western European natural gas market is substantial with advanced infrastructure, including extensive pipeline networks and a free and open high demand market.

The Company also holds hydrocarbon royalties in the Canning Basin of Western Australia.

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COMPLIANCE STATEMENT

The technical information quoted in this announcement has been compiled by Mr Alan Flavelle and Mr Rod Bresnehan and geoscientists under their supervision. Mr Flavelle is a Fellow of the Australasian Institute of Mining and Metallurgy and is a member of the Society of Petroleum Engineers. Mr Bresnehan is a member of the Society of Petroleum Engineers and is Chairman of the Society of Petroleum Engineers (Australia). Mr Flavelle and Mr Bresnehan have consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.